

## Message Text

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ACTION EB-08

INFO OCT-01 EB-08 ISO-00 L-03 INR-07 PRS-01 /020 W

-----011045Z 130431 /22

P 010902Z APR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6609

LIMITED OFFICIAL USE TOKYO 4673

STADIS////////////////////////////////////

E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: COLOR TV QUOTAS -- WHAT LEVEL?

REF: TOKYO 3419, TOKYO 3778

1. SUMMARY: JAPANESE MANUFACTURERS REPORTEDLY HOPE FOR U.S. QUOTA OF 2.0-2.3 MILLION SETS, A LEVEL WHICH WE BELIEVE WOULD INVOLVE NO SACRIFICE FOR THEM. IN EMBASSY'S ANALYSIS, ANY AMOUNT OVER 1.1 MILLION SETS INVOLVES MARKET GAIN FOR JAPANESE COMPANIES. JAPANESE COMPANIES ALREADY REPORTEDLY ARE PRODUCING 1.3 MILLION SETS PER YEAR IN U.S; QUOTA SET ON HIGH SIDE WOULD DECREASE INCENTIVE FOR MORE JAPAN COMPANIES TO PRODUCE IN U.S. AND ABSORB U.S. UNEMPLOYMENT. EMBASSY BELIEVES, THEREFORE, THAT QUANTITATIVE RESTRICTIONS AT 1.2 MILLION SET LEVEL WOULD BE REASONABLE CONSIDERING HISTORICAL RECORD, AND ANY AMOUNT UP TO 1.7 MILLION SETS WOULD BE GENEROUS. END SUMMARY.

2. ALTHOUGH MITI STILL HAS NOT SETTLED ON NUMBERS, NEWSPAPER REPORTS INDICATE THAT JAPANESE COLOR TV MAKERS HOPE FOR U.S. QUOTA OF 2.0-2.3 MILLION SETS PER YEAR. QUANTITATIVE RESTRICTIONS (QR) AT THIS LEVEL WOULD INVOLVE LIMITED OFFICIAL USE

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NO SACRIFICE FOR JAPANESE MAKERS, IN EMBASSY OPINION. FIRST, JAPAN COMPANIES ANTICIPATE THAT U.S. DEMAND WILL DECREASE IN 1977 AND THIS WOULD LIMIT THEIR RESTRICTIONS. AN ADDITIONAL 300,000-400,000 SETS COULD BE DIVERTED TO OTHER EXPORT DESTINATIONS, MAKING 2.0 MILLION SETS THE LEVEL ABOVE WHICH JAPANESE COLOR TV COMPANIES SUFFER NO LOSS.

3. EMBASSY'S TREND-ANALYSIS OF JAPAN'S 1971-75 EXPORTS TO U.S. INDICATES THAT, GIVEN EXPECTED U.S. DEMAND IN 1977 OF 6.6 MILLION SETS, JAPAN COULD NORMALLY EXPECT TO SELL 990,000-1,100,000 SETS IN U.S. IN 1977. THUS IT CAN BE ARGUED THAT ANY AMOUNT OVER 1.1 MILLION SETS INVOLVES GAIN FOR JAPANESE MANUFACTURERS.

4. JAPANESE COMPANIES IN U.S. (MATSUSHITA-QUASAR, SONY AND SANYO-WARWICK) REPORTEDLY EXPECT TO PRODUCE 1.3 MILLION SETS IN U.S. IN 1977. THEREFORE, IN A BROAD SENSE, JAPANESE COMPANIES ALREADY WILL HAVE A SUBSTANTIAL SHARE OF THE U.S. MARKET REGARDLESS OF IMPORT LEVELS. EMBASSY BELIEVES, THEREFORE, THAT QUOTA AT 1.2 MILLION SET LEVEL WOULD SEEM REASONABLE, ON BASIS 1971-75 HISTORICAL RECORD AND 1.7 MILLION SETS WOULD BE GENEROUS. MORE JAPANESE COMPANIES ARE SERIOUSLY THINKING OF INVESTMENT IN U.S. PRODUCTION. MITSUBISHI ELECTRIC (MGA) AND TOSHIBA REPORTEDLY ARE ACTIVELY SEEKING PRODUCTION SITES IN CALIFORNIA. ANY QUOTA LEVEL WHICH IS TOO GENEROUS TO JAPAN'S MAKERS WOULD, AMONG OTHER THINGS, DECREASE INCENTIVE TO MANUFACTURE IN U.S. AND INCREASE U.S. EMPLOYMENT.

5. COMMENT. FOR WHAT IT'S WORTH, PRESS REPORTS PORTRAY JAPAN'S COLOR TV MANUFACTURERS AS HOPING TO "SQUEAK BY" ON COLOR TV ISSUE AND BE BENEFICIARIES OF INCREASED U.S. CONCERN OVER INFLATION, CONSUMER INTERESTS, AND EFFECT ON WORLD TRADE SYSTEM AND MTN. LIMITED OFFICIAL USE

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WHILE NOT DWELLING ON PAST HISTORY, WE HAVE POINTED OUT IN INFORMAL DISCUSSIONS WITH OUR COUNTERPARTS THAT THESE ARE THE SAME MANUFACTURERS WHO SOUGHT PROTECTION FROM U.S. COMPANIES UNTIL LATE 1970. (JAPAN MAINTAINED IMPORT QUOTA/LICENSING RESTRICTIONS ON FOREIGN TV'S UNTIL DECEMBER 1969 AND PROHIBITED U.S. COMPANIES FROM INVESTING IN JAPAN TO SELL THEIR SETS UNTIL SEPTEMBER 1970.) END COMMENT. SHOESMITH

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## Message Attributes

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**Review Markings:**  
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